ANZ Bank New Zealand Limited Disclosure Statement

FOR THE SIX MONTHS ENDED 31 MARCH 2013 | NUMBER 69 ISSUED MAY 2013

ANZ Bank New Zealand Limited

Disclosure Statement

For the six months ended 31 March 2013

Contents

Glossary of Terms

In this Disclosure Statement unless the context otherwise requires:

(a) “Bank” means ANZ Bank New Zealand Limited;

(b) “Banking Group” means the Bank and all its controlled entities;

(c) “Immediate Parent Company” means ANZ Holdings (New Zealand) Limited;

(d) “Ultimate Parent Bank” means Australia and New Zealand Banking Group Limited;

(e) “Overseas Banking Group” means the worldwide operations of Australia and New Zealand Banking Group Limited including its controlled entities;

(f) “New Zealand business” means all business, operations, or undertakings conducted in or from New Zealand identified and treated as if it were conducted by a company formed and registered in New Zealand;

(g) “NZ Branch” means the New Zealand business of the Ultimate Parent Bank;

(h) “ANZ New Zealand” means the New Zealand business of the Overseas Banking Group;

(i) “Registered Office” is Level 10, 170-186 Featherston Street, Wellington, New Zealand, which is also the Banking Group’s address for service;

(j) “RBNZ” means the Reserve Bank of New Zealand;

(k) “APRA” means the Australian Prudential Regulation Authority;

(l) “the Order” means the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2013; and

(m) Any term or expression which is defined in, or in the manner prescribed by, the Order shall have the meaning given in or prescribed by the Order.

General Disclosures

This Disclosure Statement has been issued in accordance with the Order.

Credit Rating Information

The Bank has three credit ratings, which are applicable to its long-term senior unsecured obligations. The Bank's credit ratings are:

Rating Agency	Current Credit Rating	Qualification
Standard & Poor's	AA-	Outlook Stable
Moody's Investors Service	Aa3	Outlook Stable
Fitch Ratings	AA-	Outlook Stable

Guarantors

As at the date of signing of this Disclosure Statement the Banking Group has debt securities with a carrying value as at 31 March 2013 of $204 million for which the Crown has issued a Guarantee Eligibility Certificate under the New Zealand Wholesale Funding Guarantee Facility ("Crown Wholesale Guarantee"). The Crown closed the Crown Wholesale Guarantee to new debt securities on 30 April 2010. The closure did not affect debt securities previously issued with the benefit of Crown Wholesale Guarantee.

Copies of the Wholesale Deed, and any Guarantee Eligibility Certificate issued by the Crown in respect of the Bank, are available on the Treasury website treasury.govt.nz. The address for service for any demand on the Crown under the Crown Wholesale Guarantee is The Treasurer, New Zealand Debt Management Office, 1 The Terrace, Wellington. Further information on the Crown Wholesale Guarantee is provided in the Disclosure Statement for the year ended 30 September 2012 which is available at no charge:

a) on the Bank's website anz.co.nz; and

b) within two working days of a request, if a request is made at the Registered Office or at any ANZ branch.

Certain debt securities ("Covered Bonds") issued by the Bank or its wholly owned subsidiary, ANZ New Zealand (Int'l) Limited, are guaranteed by ANZNZ Covered Bond Trust Limited (the "Covered Bond Guarantor"), solely in its capacity as trustee of ANZNZ Covered Bond Trust. The Covered Bond Guarantor has guaranteed the payment of interest and principal of Covered Bonds with a carrying value as at 31 March 2013 of $2,926 million, pursuant to a guarantee which is secured over a pool of assets. The Covered Bond Guarantor's address for service is Level 10, 141 Willis Street, Wellington, New Zealand. The Covered Bond Guarantor is not a member of the Banking Group and has no credit ratings applicable to its long term senior unsecured obligations payable in New Zealand dollars. The Covered Bonds have been assigned a long term rating of Aaa and AAA by Moody's Investors Service and Fitch Ratings respectively. Details of the pool of assets that secure this guarantee are provided in Note 7.

Changes to conditions of registration

The conditions of registration applying to the Bank were amended on 27 March 2013 to put into effect the RBNZ's Basel III enhanced risk coverage policy as set out in the RBNZ document "Capital Adequacy Framework (Internal Models Based Approach)" issued in March 2013. This policy introduces new requirements affecting counterparty credit risk and central counterparty exposures.

Directorate

As at 13 May 2013 there have been no changes to the Directors of the Bank since 30 September 2012, the balance date of the last full year Disclosure Statement.

On 11 March 2013 the Bank announced that Joan Withers would become an independent Director, effective from 1 July 2013. The appointment has been approved by the Reserve Bank of New Zealand. Ms Withers is the former CEO of Fairfax Media and The Radio Network and is the Chairperson of Auckland International Airport Ltd and Mighty River Power Ltd, and is Deputy Chairperson of Television New Zealand. She has an MBA from the University of Auckland.

Auditor

The Banking Group's auditor is KPMG, Chartered Accountants, Level 9, 10 Customhouse Quay, Wellington, New Zealand.

Income Statement

$ millions	Note	Unaudited 6 months to 31/03/2013	Unaudited 6 months to 31/03/2012	Audited Year to 30/09/2012
Interest income		**2,991**	2,995	6,017
Interest expense		**1,699**	1,649	3,335
Net interest income		**1,292**	1,346	2,682
Net trading gains		**112**	79	131
Net funds management and insurance income		**134**	139	298
Other operating income	**2**	**171**	268	573
Share of associates' profit		**4**	2	4
Operating income		**1,713**	1,834	3,688
Operating expenses		**771**	863	1,742
Profit before provision for credit impairment and income tax		**942**	971	1,946
Provision for credit impairment	**6**	**40**	95	193
Profit before income tax		**902**	876	1,753
Income tax expense		**239**	233	428
Profit after income tax		**663**	643	1,325

Statement of Comprehensive Income

$ millions	Unaudited 6 months to 31/03/2013	Unaudited 6 months to 31/03/2012	Audited Year to 30/09/2012
Profit after income tax	**663**	643	1,325
Items that will not be reclassified to profit or loss			
Actuarial gain / (loss) on defined benefit schemes	**16**	(2)	(25)
Income tax credit / (expense) relating to items not reclassified	**(5)**	-	6
Total items that will not be reclassified to profit or loss	**11**	(2)	(19)
Items that may be reclassified subsequently to profit or loss			
Unrealised gains / (losses) recognised directly in equity	**(39)**	11	46
Realised gains transferred to income statement	**(14)**	(7)	(95)
Income tax credit relating to items that may be reclassified	**15**	5	-
Total items that may be reclassified subsequently to profit or loss	**(38)**	9	(49)
Total comprehensive income for the period	**636**	650	1,257

Statement of Changes in Equity

$ millions	Ordinary share capital	Available-for-sale revaluation reserve	Cash flow hedging reserve	Retained earnings	Total equity
As at 1 October 2011	6,943	46	141	3,695	10,825
Profit after income tax	-	-	-	643	643
Unrealised gains / (losses) recognised directly in equity	-	26	(15)	-	11
Realised gains transferred to the income statement	-	-	(7)	-	(7)
Actuarial loss on defined benefit schemes	-	-	-	(2)	(2)
Income tax credit / (expense) on items recognised directly in equity	-	(1)	6	-	5
Total comprehensive income for the period	-	25	(16)	641	650
Ordinary dividend paid	-	-	-	(550)	(550)
As at 31 March 2012 (Unaudited)	6,943	71	125	3,786	10,925
As at 1 October 2011	6,943	46	141	3,695	10,825
Profit after income tax	-	-	-	1,325	1,325
Unrealised gains recognised directly in equity	-	34	12	-	46
Realised gains transferred to the income statement	-	(83)	(12)	-	(95)
Actuarial loss on defined benefit schemes	-	-	-	(25)	(25)
Income tax credit on items recognised directly in equity	-	-	-	6	6
Total comprehensive income for the period	-	(49)	-	1,306	1,257
Ordinary dividend paid	-	-	-	(1,150)	(1,150)
As at 30 September 2012 (Audited)	6,943	(3)	141	3,851	10,932
Profit after income tax	**-**	**-**	**-**	**663**	**663**
Unrealised gains / (losses) recognised directly in equity	**-**	**1**	**(40)**	**-**	**(39)**
Realised gains transferred to the income statement	**-**	**-**	**(14)**	**-**	**(14)**
Actuarial gain on defined benefit schemes	**-**	**-**	**-**	**16**	**16**
Income tax credit / (expense) on items recognised directly in equity	**-**	**-**	**15**	**(5)**	**10**
Total comprehensive income for the period	**-**	**1**	**(39)**	**674**	**636**
Ordinary dividend paid	**-**	**-**	**-**	**(465)**	**(465)**
As at 31 March 2013 (Unaudited)	**6,943**	**(2)**	**102**	**4,060**	**11,103**

Balance Sheet

$ millions	Note	**Unaudited 31/03/2013**	Unaudited 31/03/2012	Audited 30/09/2012
Assets				
Liquid assets		**3,371**	2,355	2,831
Due from other financial institutions		**2,045**	3,102	1,722
Trading securities		**10,419**	10,904	12,338
Derivative financial instruments		**9,012**	10,563	12,753
Current tax assets		**53**	76	15
Available-for-sale assets		**873**	252	57
Net loans and advances	**4**	**87,882**	84,467	86,678
Investments backing insurance policy liabilities		**161**	165	142
Insurance policy assets		**313**	231	301
Investments in associates		**98**	100	99
Other assets		**936**	935	592
Deferred tax assets		**73**	91	93
Premises and equipment		**339**	320	323
Goodwill and other intangible assets		**3,502**	3,500	3,505
Total assets		**119,077**	117,061	121,449
Interest earning and discount bearing assets		**104,149**	100,354	103,341
Liabilities				
Due to other financial institutions		**1,795**	1,528	1,759
Deposits and other borrowings	**8**	**75,224**	70,914	73,652
Due to Immediate Parent Company		**709**	555	740
Derivative financial instruments		**10,173**	11,462	13,930
Payables and other liabilities		**2,012**	2,040	1,685
Provisions		**272**	338	339
Bonds and notes		**16,611**	17,562	17,244
Loan capital		**1,178**	1,737	1,168
Total liabilities		**107,974**	106,136	110,517
Net assets		**11,103**	10,925	10,932
Represented by:				
Share capital		**6,943**	6,943	6,943
Reserves		**100**	196	138
Retained earnings		**4,060**	3,786	3,851
Total equity		**11,103**	10,925	10,932
Interest and discount bearing liabilities		**89,633**	87,425	89,299

Condensed Cash Flow Statement

$ millions	**Unaudited 6 months to 31/03/2013**	Unaudited 6 months to 31/03/2012	Audited Year to 30/09/2012
Cash flows from operating activities			
Interest received	**2,960**	2,964	5,991
Interest paid	**(1,716)**	(1,659)	(3,301)
Other cash inflows provided by operating activities	**436**	439	845
Other cash outflows used in operating activities	**(1,123)**	(1,148)	(2,023)
Cash flows from operating profits before changes in operating assets and liabilities	**557**	596	1,512
Net changes in operating assets and liabilities	**1,459**	(2,524)	(2,545)
Net cash flows provided by / (used in) operating activities	**2,016**	(1,928)	(1,033)
Cash flows from investing activities			
Cash inflows provided by investing activities	**1**	16	16
Cash outflows used in investing activities	**(56)**	(38)	(95)
Net cash flows used in investing activities	**(55)**	(22)	(79)
Cash flows from financing activities			
Cash inflows provided by financing activities	**1,105**	2,798	6,244
Cash outflows used in financing activities	**(2,343)**	(2,426)	(7,411)
Net cash flows provided by / (used in) financing activities	**(1,238)**	372	(1,167)
Net increase / (decrease) in cash and cash equivalents	**723**	(1,578)	(2,279)
Cash and cash equivalents at beginning of the period	**3,255**	5,534	5,534
Cash and cash equivalents at end of the period	**3,978**	3,956	3,255

Notes to the Financial Statements

1. Significant Accounting Policies

(i) Reporting entity and statement of compliance

These interim financial statements are for the Banking Group for the six months ended 31 March 2013. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice as appropriate for profit oriented entities, the requirements of NZ IAS 34 *Interim Financial Reporting* and the Order, and should be read in conjunction with the Banking Group's financial statements for the year ended 30 September 2012.

(ii) Basis of measurement

These financial statements have been prepared on a going concern basis in accordance with historical cost concepts except that the following assets and liabilities are stated at their fair value:

- derivative financial instruments, including in the case of fair value hedging, the fair value of any applicable underlying exposure;
- financial instruments held for trading;
- financial assets treated as available-for-sale; and
- financial instruments designated at fair value through profit and loss.

Insurance policy assets are measured using Margin on Services principles, and defined benefit obligations are measured using the Projected Unit Credit method.

(iii) Changes in accounting policies

The accounting policies adopted by the Banking Group are consistent with those adopted and disclosed in the previous full year Disclosure Statement.

(iv) Presentation currency and rounding

The amounts contained in the financial statements are presented in millions of New Zealand dollars, unless otherwise stated.

(v) Comparatives

Certain amounts in the comparative information have been reclassified to ensure consistency with the current period's presentation. This includes reclassifying, in the Balance Sheet as at 31 March 2012, collateral received of $604 million from derivative financial instruments asset to due to other financial institutions and collateral paid of $1,144 million from derivative financial instruments liability to due from other financial institutions.

(vi) Principles of consolidation

The financial statements consolidate the financial statements of the Bank and its subsidiaries.

2. Other Operating Income

$millions	**Unaudited 6 months to 31/03/2013**	Unaudited 6 months to 31/03/2012	Audited Year to 30/09/2012
Net fee income	**219**	232	455
Fair value gain / (loss) on hedging activities and financial liabilities designated at fair value	**(46)**	29	14
Net gain on available for sale equity securities transferred to income statement	**-**	-	83
Other income	**(2)**	7	21
Total other operating income	**171**	268	573

Notes to the Financial Statements

3. Segmental Analysis

For segment reporting purposes, the Banking Group is organised into four major business segments - Retail, Commercial, Wealth and Institutional. Centralised back office and corporate functions support these segments. These segments are consistent with internal reporting provided to the chief operating decision maker, being the Bank's Chief Executive Officer.

Segmental reporting has been updated to reflect minor changes to the Banking Group's structure. Comparative data has been adjusted to be consistent with the current period's segment definitions.

Retail

Retail provides products and services to personal customers via the branch network, mortgage specialists, the contact centre and a variety of self service channels (internet banking, phone banking, ATMs, website and mobile phone banking). Core products include current and savings accounts, unsecured lending (credit cards, personal loans and overdrafts) and home loans secured by mortgages over property. Retail distributes insurance and investment products on behalf of the Wealth segment.

Commercial

Commercial provides services to Business Banking, Commercial & Agri, and UDC customers. Business Banking services are offered to small enterprises (typically with annual revenues of less than $5 million). Commercial & Agri customers consist of primarily privately owned medium to large enterprises. The Banking Group's relationship with these businesses ranges from simple banking requirements with revenue from deposit and transactional facilities, and cash flow lending, to more complex funding arrangements with revenue sourced from a wider range of products. UDC is principally involved in the financing and leasing of plant, vehicles and equipment, mainly for small and medium sized businesses, as well as investment products.

Wealth

Wealth includes private banking and investment services provided to high net worth individuals, the OnePath wealth management and insurance businesses, and other investment products.

Institutional

Institutional provides financial services through a number of specialised units to large multi-banked corporations, often global, who require sophisticated product and risk management solutions. Those financial services include loan structuring, foreign exchange, wholesale money market services and transaction banking.

Other

Other includes treasury and back office support functions, none of which constitutes a separately reportable segment.

Business segment analysis[1]

$ millions	Retail	Commercial	Wealth	Institutional	Other [2]	Total
Unaudited 6 months to 31/03/2013						
External revenues	**486**	**1,331**	**39**	**462**	**(605)**	**1,713**
Intersegment revenues	**83**	**(622)**	**72**	**(128)**	**595**	**-**
Total revenues	**569**	**709**	**111**	**334**	**(10)**	**1,713**
Profit before income tax	**217**	**458**	**42**	**227**	**(42)**	**902**
Unaudited 6 months to 31/03/2012						
External revenues	524	1,389	50	404	(533)	1,834
Intersegment revenues	41	(652)	70	(66)	607	-
Total revenues	565	737	120	338	74	1,834
Profit before income tax	203	415	45	235	(22)	876
Audited year to 30/09/2012						
External revenues	1,019	2,744	111	804	(990)	3,688
Intersegment revenues	126	(1,293)	143	(168)	1,192	-
Total revenues	1,145	1,451	254	636	202	3,688
Profit before income tax	421	817	108	425	(18)	1,753

1 Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis.
2 This segment has negative external revenues as this segment incurs funding costs on behalf of the Banking Group and is reimbursed internally.

Notes to the Financial Statements

4. Net Loans and Advances

$ millions	Note	**Unaudited 31/03/2013**	Unaudited 31/03/2012	Audited 30/09/2012
Overdrafts		**1,718**	1,986	1,881
Credit card outstandings		**1,415**	1,410	1,395
Term loans - housing		**47,445**	44,340	46,123
Term loans - non-housing		**37,649**	37,321	37,749
Finance lease receivables		**817**	800	806
Gross loans and advances		**89,044**	85,857	87,954
Provision for credit impairment	**6**	**(951)**	(1,119)	(1,054)
Unearned finance income		**(266)**	(259)	(258)
Fair value hedge adjustment		**(15)**	(8)	(2)
Deferred fee revenue and expenses		**(60)**	(55)	(60)
Capitalised brokerage/mortgage origination fees		**130**	51	98
Total net loans and advances		**87,882**	84,467	86,678

The Bank has sold residential mortgages to the NZ Branch with a net carrying value of $9,491 million as at 31 March 2013 (31/03/2012 $9,303 million, 30/09/2012 $9,396 million). These assets qualify for derecognition as the Bank does not retain a continuing involvement in the transferred assets.

5. Impaired Assets, Past Due Assets and Other Assets Under Administration

$ millions	**Retail mortgages**	**Other retail exposures**	**Non retail exposures**	**Total**
Unaudited 31/03/2013				
Balance at the beginning of the period	**313**	**44**	**1,009**	**1,366**
Transfers from productive	**165**	**58**	**151**	**374**
Transfers to productive	**(1)**	**(1)**	**(30)**	**(32)**
Assets realised or loans repaid	**(151)**	**(15)**	**(207)**	**(373)**
Write offs	**(12)**	**(40)**	**(85)**	**(137)**
Total impaired assets	**314**	**46**	**838**	**1,198**
Other assets under administration	**-**	**-**	**-**	**-**
Undrawn facilities with impaired customers	**-**	**-**	**17**	**17**
Unaudited 31/03/2012				
Balance at the beginning of the period	471	61	1,194	1,726
Transfers from productive	155	61	341	557
Transfers to productive	(28)	(1)	(92)	(121)
Assets realised or loans repaid	(176)	(26)	(243)	(445)
Write offs	(32)	(43)	(47)	(122)
Total impaired assets	390	52	1,153	1,595
Other assets under administration	-	-	9	9
Undrawn facilities with impaired customers	-	-	28	28
Audited 30/09/2012				
Balance at the beginning of the period	471	61	1,194	1,726
Transfers from productive	285	110	572	967
Transfers to productive	(61)	(1)	(111)	(173)
Assets realised or loans repaid	(327)	(43)	(515)	(885)
Write offs	(55)	(83)	(131)	(269)
Total impaired assets	313	44	1,009	1,366
Other assets under administration	-	-	-	-
Undrawn facilities with impaired customers	-	-	24	24

Notes to the Financial Statements

Other assets under administration

Other assets under administration are any loans, not being impaired or 90 days or more past due, where the customer is in any form of voluntary or involuntary administration, including receivership, liquidation, bankruptcy or statutory management.

Credit quality of financial assets that are past due but not impaired

A large portion of retail credit exposures, such as residential mortgages, are generally well secured. That is, the fair value of associated security should be sufficient to ensure that the Banking Group will recover the entire amount owing over the life of the facility and there is reasonable assurance that collection efforts will result in payment of the amounts due in a timely manner.

Ageing analysis of loans that are past due but not impaired

$ millions	Retail mortgages	Other retail exposures	Non retail exposures	Total
Unaudited 31/03/2013				
1 to 5 days	**370**	**133**	**496**	**999**
6 to 29 days	**342**	**111**	**155**	**608**
1 to 29 days	**712**	**244**	**651**	**1,607**
30 to 59 days	**165**	**49**	**82**	**296**
60 to 89 days	**66**	**28**	**16**	**110**
90 days or over	**103**	**55**	**55**	**213**
	1,046	**376**	**804**	**2,226**

6. Provision for Credit Impairment

Provision movement analysis

$ millions	Retail mortgages	Other retail exposures	Non retail exposures	Total
Unaudited 31/03/2013				
New and increased provisions	**42**	**46**	**93**	**181**
Write-backs	**(29)**	**(11)**	**(58)**	**(98)**
Recoveries of amounts written off previously	**-**	**(8)**	**(2)**	**(10)**
Individual provision charge	**13**	**27**	**33**	**73**
Collective provision credit	**-**	**(13)**	**(20)**	**(33)**
Total charge to income statement	**13**	**14**	**13**	**40**
Unaudited 31/03/2012				
New and increased provisions	59	42	137	238
Write-backs	(38)	(8)	(43)	(89)
Recoveries of amounts written off previously	(1)	(8)	(5)	(14)
Individual provision charge	20	26	89	135
Collective provision credit	(12)	(20)	(8)	(40)
Total charge to income statement	8	6	81	95
Audited 30/09/2012				
New and increased provisions	110	87	267	464
Write-backs	(73)	(15)	(100)	(188)
Recoveries of amounts written off previously	(1)	(17)	(7)	(25)
Individual provision charge	36	55	160	251
Collective provision credit	(16)	(22)	(20)	(58)
Total charge to income statement	20	33	140	193

Notes to the Financial Statements

Movement in provision for credit impairment

$ millions	Retail mortgages	Other retail exposures	Non retail exposures	Total
Unaudited 31/03/2013				
Collective provision				
Balance at beginning of the period	**104**	**125**	**375**	**604**
Credit to income statement	**-**	**(13)**	**(20)**	**(33)**
Balance at end of the period	**104**	**112**	**355**	**571**
Individual provision				
Balance at beginning of the period	**119**	**25**	**306**	**450**
New and increased provisions net of write-backs	**13**	**35**	**35**	**83**
Bad debts written off	**(12)**	**(40)**	**(85)**	**(137)**
Discount unwind	**(4)**	**-**	**(12)**	**(16)**
Balance at end of the period	**116**	**20**	**244**	**380**
Total provision for credit impairment	**220**	**132**	**599**	**951**
Unaudited 31/03/2012				
Collective provision				
Balance at beginning of the period	120	147	395	662
Credit to income statement	(12)	(20)	(8)	(40)
Balance at end of the period	108	127	387	622
Individual provision				
Balance at beginning of the period	148	36	310	494
New and increased provisions net of write-backs	21	34	94	149
Bad debts written off	(32)	(43)	(47)	(122)
Discount unwind	(7)	(1)	(16)	(24)
Balance at end of the period	130	26	341	497
Total provision for credit impairment	238	153	728	1,119
Audited 30/09/2012				
Collective provision				
Balance at beginning of the year	120	147	395	662
Credit to income statement	(16)	(22)	(20)	(58)
Balance at end of the year	104	125	375	604
Individual provision				
Balance at beginning of the year	148	36	310	494
New and increased provisions net of write-backs	37	72	167	276
Bad debts written off	(55)	(83)	(131)	(269)
Discount unwind	(11)	-	(40)	(51)
Balance at end of the year	119	25	306	450
Total provision for credit impairment	223	150	681	1,054

Notes to the Financial Statements

7. Financial Assets Pledged as Collateral

$ millions	**Unaudited 31/03/2013**	Unaudited 31/03/2012	Audited 30/09/2012
Cash collateral given on derivative financial instruments	**1,142**	1,144	1,256
Trading securities encumbered through repurchase agreements	**343**	23	252
Residential mortgages pledged as security for covered bonds	**5,548**	3,982	4,977
Total tangible assets of UDC Finance Limited pledged as collateral for secured stock	**2,125**	2,105	2,103
Total financial assets pledged as collateral	**9,158**	7,254	8,588

ANZNZ Covered Bond Trust ("the Covered Bond Trust")

Substantially all of the assets of the Covered Bond Trust are made up of certain housing loans and related securities originated by the Bank which are security for the guarantee by ANZNZ Covered Bond Trust Limited as trustee of the Covered Bond Trust of issuances of covered bonds by the Bank, or its wholly owned subsidiary ANZ New Zealand (Int'l) Limited, from time to time. The assets of the Covered Bond Trust are not available to creditors of the Bank, although the Bank (or its liquidator or statutory manager) may have a claim against the residual assets of the Covered Bond Trust (if any) after all prior ranking creditors of the Covered Bond Trust have been satisfied.

The Banking Group continues to recognise the assets of the Covered Bond Trust on its balance sheet as, although they are pledged as security for covered bonds, the Bank retains substantially all the risks and rewards of ownership.

8. Deposits and Other Borrowings

$ millions	**Note**	**Unaudited 31/03/2013**	Unaudited 31/03/2012	Audited 30/09/2012
Certificates of deposit		**1,624**	2,277	2,156
Term deposits		**33,732**	33,738	33,922
Demand deposits bearing interest		**28,348**	24,198	25,815
Deposits not bearing interest		**5,717**	4,787	4,838
Secured debenture stock	**7**	**1,467**	1,456	1,476
Commercial paper		**4,336**	4,458	5,445
Total deposits and other borrowings		**75,224**	70,914	73,652

9. Related Party Transactions

$ millions	**Unaudited 31/03/2013**	Unaudited 31/03/2012	Audited 30/09/2012
Total due from related parties	**1,992**	2,212	3,131
Total due to related parties	**5,134**	6,839	5,990

Notes to the Financial Statements

10. Capital Adequacy

Adoption of Basel III capital framework

Effective 1 January 2013, RBNZ and APRA have adopted the majority of Basel III capital reforms in New Zealand and Australia respectively. The Basel III reforms include: increased capital deductions from common equity tier 1 capital, an increase in capitalisation rates (including prescribed minimum capital buffers, fully effective 1 January 2014 in New Zealand and 1 January 2016 in Australia), tighter requirements around new tier 1 and tier 2 securities and transitional arrangements for existing tier 1 and tier 2 securities that do not conform to the new regulations. Other changes include capital requirements for counterparty credit risk and an increase in the asset value correlation with respect to exposures to large and unregulated financial institutions.

Capital ratios (unaudited)

	Banking Group			Bank		
	31/03/2013	31/03/2012	30/09/2012	**31/03/2013**	31/03/2012	30/09/2012
	Basel III	Basel II	Basel II	**Basel III**	Basel I	Basel I
Common equity tier one capital	**10.2%**	n/a	n/a	**9.0%**	n/a	n/a
Tier one capital	**10.2%**	10.9%	10.8%	**9.0%**	9.7%	9.5%
Total capital	**11.8%**	13.4%	12.5%	**10.7%**	11.4%	10.3%
Buffer ratio	**5.7%**	n/a	n/a			
RBNZ minimum ratios:						
Common equity tier one capital	**4.5%**	n/a	n/a			
Tier one capital	**6.0%**	4.0%	4.0%			
Total capital	**8.0%**	8.0%	8.0%			

Capital of the Banking Group

	Unaudited
$ millions	**31/03/2013**
Tier one capital	
Common equity tier one capital	
Paid up ordinary shares issued by the Bank	**6,943**
Retained earnings (net of appropriations)	**4,060**
Accumulated other comprehensive income and other disclosed reserves	**100**
Less deductions from common equity tier one capital	
Goodwill and intangible assets, net of associated deferred tax liabilities	**(3,502)**
Deferred tax assets less deferred tax liabilities relating to temporary differences	**(136)**
Cash flow hedge reserve	**(102)**
Expected losses to extent greater than total eligible allowances for impairment	**(186)**
Common equity tier one capital	**7,177**
Additional tier one capital	**-**
Total tier one capital	**7,177**
Tier two capital	
NZD 835,000,000 perpetual subordinated bond	**835**
AUD 265,740,000 perpetual subordinated loan	**331**
Total tier two capital	**1,166**
Total capital	**8,343**

Notes to the Financial Statements

Terms of ordinary share capital

All ordinary shares share equally in dividends and any proceeds available to ordinary shareholders on the winding up of the Bank. On a show of hands every member who is present at a meeting in person or by proxy or by representative is entitled to one vote, and upon a poll every member shall have one vote for each share held.

Terms of tier two capital instruments

Loan capital is subordinated in right of payment in the event of liquidation or wind up to the claims of depositors and all creditors of the Bank and qualifies as tier two capital under the RBNZ's transitional rules. The amount eligible to be included in regulatory capital will reduce by 20% per year from 1 January 2014 and will not be included in regulatory capital from 1 January 2018.

NZD 835,000,000 bond

This bond was issued by the Bank on 18 April 2008. The Bank did not elect to redeem the bond on 18 April 2013 (the "First Call Date"). The Bank may elect to redeem the bond on 18 April 2018 (the "Second Call Date") or any interest payment date subsequent to 18 April 2018. Interest is payable half yearly in arrears on 18 April and 18 October each year, up to and including the Second Call Date and then quarterly thereafter. Should the bond not be called at the Second Call Date, the Coupon Rate from the Second Call Date onwards will be set on a quarterly basis to the three month FRA rate plus 3.00%.

As at 31 March 2013, this bond carried a BBB+ rating by Standard and Poor's and an A3 rating by Moody's.

The coupon interest on the bond was 9.66% until 18 April 2013 when it reset to 5.28% for the five year period to 18 April 2018.

This bond is listed on the New Zealand Exchange ("NZX"). The Market Surveillance Panel of the NZX granted the Bank a waiver from the requirements of Listing Rules 10.4 (relating to the provision of preliminary announcements of half yearly and annual results to the NZX) and 10.5 (relating to preparing and providing a copy of half yearly and annual reports to the NZX).

AUD 265,740,000 loan

This loan was drawn down by the Bank on 27 September 1996 and has no fixed maturity. Interest is payable half yearly in arrears based on BBSW + 0.95% p.a., with interest payments due 15 March and 15 September.

Capital requirements of the Banking Group (unaudited)

$ millions	Exposure at default	Risk weighted exposure or implied risk weighted exposure[1]	Total capital requirement
Exposures subject to internal ratings based approach	124,719	51,008	4,081
Specialised lending exposures subject to slotting approach	8,213	7,864	629
Exposures subject to standardised approach	312	287	22
Equity exposures	100	426	34
Other exposures	3,197	1,039	83
Total credit risk	136,541	60,624	4,849
Operational risk	n/a	5,553	444
Market risk	n/a	4,295	343
Total	136,541	70,472	5,636

[1] Total credit risk weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration.

Notes to the Financial Statements

Implementation of the advanced internal ratings based approach to credit risk measurement

The Banking Group adheres to the standards of risk grading and risk quantification as set out for Internal Ratings Based ("IRB") banks in the RBNZ document BS2B.

Under this IRB Framework banks use their own measures for calculating the level of credit risk associated with customers and exposures, by way of the primary components of:

Probability of Default ("PD"): An estimate of the level of risk of borrower default graded by way of rating models used both at loan origination and for ongoing monitoring;

Exposure at Default ("EAD"): The expected facility exposure at default. Total credit risk-weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration; and

Loss Given Default ("LGD"): An estimate of the potential economic loss on a credit exposure, incurred as a consequence of obligor default and expressed as a percentage of the facility's EAD. For Retail Mortgage exposures the Bank is required to apply the downturn LGDs according to loan to value ("LVR") bands as set out in BS2B. For farm lending exposures the Banking Group is required to adopt RBNZ prescribed downturn LVR based LGDs, along with a minimum maturity of 2.5 years and the removal of the firm-size adjustment.

For exposures classified under Specialised Lending, the Banking Group uses slotting tables supplied by the RBNZ rather than internal estimates.

The exceptions to IRB treatment are three minor portfolios where, due to systems constraints, determining these IRB risk estimates is not currently feasible or appropriate. Risk weights for these exposures are calculated under a separate treatment as set out in the RBNZ document entitled 'Capital Adequacy Framework (Standardised Approach)' ("BS2A"), dated March 2013.

Capital requirements by asset class under the IRB approach

Banking Group	Total exposure or principal amount	Exposure at default	Exposure-weighted LGD used for the capital calculation	Exposure-weighted risk weight	Risk weighted exposure	Total capital requirement
As at 31/03/2013 (Unaudited)	**$m**	**$m**	**%**	**%**	**$m**	**$m**
On-balance sheet exposures						
Corporate	**32,498**	**32,037**	**36**	**59**	**19,911**	**1,592**
Sovereign	**8,817**	**8,886**	**5**	**1**	**101**	**8**
Bank	**4,120**	**3,954**	**58**	**21**	**880**	**71**
Retail mortgages	**45,325**	**45,560**	**22**	**26**	**12,549**	**1,004**
Other retail	**4,443**	**4,545**	**64**	**83**	**3,991**	**320**
Total on-balance sheet exposures	**95,203**	**94,982**	**29**	**37**	**37,432**	**2,995**
Off-balance sheet exposures						
Corporate	**13,501**	**10,291**	**51**	**49**	**5,371**	**430**
Sovereign	**45**	**45**	**5**	**1**	**1**	**-**
Bank	**1,154**	**1,053**	**48**	**15**	**172**	**14**
Retail mortgages	**6,790**	**5,957**	**18**	**15**	**945**	**76**
Other retail	**4,744**	**4,713**	**75**	**51**	**2,565**	**204**
Total off-balance sheet exposures	**26,234**	**22,059**	**47**	**39**	**9,054**	**724**
Market related contracts						
Corporate	**68,919**	**2,154**	**60**	**90**	**2,045**	**164**
Sovereign	**11,294**	**358**	**5**	**2**	**6**	**1**
Bank	**657,572**	**5,166**	**64**	**45**	**2,471**	**197**
Total market related contracts	**737,785**	**7,678**	**60**	**56**	**4,522**	**362**
Total credit risk exposures subject to the IRB approach	**859,222**	**124,719**	**34**	**39**	**51,008**	**4,081**

Notes to the Financial Statements

IRB exposures by customer credit rating

Banking Group As at 31/03/2013 (Unaudited)	Probability of default %	Exposure at default $m	Exposure-weighted LGD used for the capital calculation %	Exposure-weighted risk weight %	Risk weighted exposure $m	Total capital requirement $m
Corporate						
0 - 2	**0.05**	**5,065**	**62**	**32**	**1,726**	**138**
3 - 4	**0.31**	**23,290**	**38**	**43**	**10,527**	**842**
5	**1.01**	**8,766**	**36**	**64**	**5,957**	**477**
6	**2.23**	**4,102**	**39**	**90**	**3,922**	**314**
7 - 8	**7.77**	**2,177**	**43**	**152**	**3,501**	**280**
Default	**100.00**	**1,082**	**42**	**148**	**1,694**	**135**
Total corporate exposures	**3.39**	**44,482**	**41**	**58**	**27,327**	**2,186**
Sovereign						
0	**0.01**	**9,284**	**5**	**1**	**108**	**9**
1 - 8	**0.17**	**5**	**5**	**1**	**-**	**-**
Total sovereign exposures	**0.01**	**9,289**	**5**	**1**	**108**	**9**
Bank						
0	**0.03**	**4,492**	**65**	**29**	**1,393**	**111**
1	**0.03**	**5,118**	**56**	**35**	**1,877**	**150**
2 - 4	**0.13**	**553**	**58**	**41**	**241**	**19**
5 - 8	**1.49**	**10**	**60**	**114**	**12**	**2**
Total bank exposures	**0.04**	**10,173**	**60**	**33**	**3,523**	**282**
Retail mortgages						
0 - 3	**0.20**	**10,608**	**11**	**5**	**523**	**42**
4	**0.46**	**16,411**	**18**	**14**	**2,381**	**190**
5	**0.93**	**17,730**	**26**	**31**	**5,830**	**466**
6	**2.12**	**5,507**	**30**	**62**	**3,594**	**287**
7 - 8	**5.33**	**635**	**31**	**105**	**704**	**56**
Default	**100.00**	**626**	**29**	**70**	**462**	**39**
Total residential mortgages exposures	**2.02**	**51,517**	**21**	**25**	**13,494**	**1,080**
Other retail						
0 - 2	**0.10**	**661**	**77**	**48**	**338**	**27**
3 - 4	**0.30**	**4,407**	**72**	**51**	**2,375**	**190**
5	**1.14**	**1,474**	**64**	**68**	**1,057**	**85**
6	**2.69**	**1,482**	**65**	**83**	**1,302**	**104**
7 - 8	**12.00**	**1,090**	**71**	**114**	**1,312**	**105**
Default	**100.00**	**144**	**70**	**113**	**172**	**13**
Total other retail exposures	**3.73**	**9,258**	**70**	**67**	**6,556**	**524**
Total credit risk exposures subject to the IRB approach	**2.32**	**124,719**	**34**	**39**	**51,008**	**4,081**

Credit risk exposures subject to the IRB approach have been derived in accordance with BS2B and other relevant correspondence with RBNZ setting out prescribed credit risk estimates.

Notes to the Financial Statements

Specialised lending subject to the slotting approach

Banking Group As at 31/03/2013 (Unaudited)	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
On-balance sheet exposures				
Strong	**2,224**	**70**	**1,650**	**132**
Good	**3,898**	**90**	**3,719**	**298**
Satisfactory	**941**	**115**	**1,148**	**92**
Weak	**189**	**250**	**499**	**39**
Default	**195**	**-**	**-**	**-**
Total on-balance sheet exposures	**7,447**	**89**	**7,016**	**561**

	Exposure amount $m	Exposure at default $m	Average risk weight %	Risk weighted exposure $m	Total capital requirement $m
Off-balance sheet exposures					
Undrawn commitments and other off balance sheet exposures	**868**	**689**	**96**	**702**	**56**
Market related contracts	**1,597**	**77**	**179**	**146**	**12**
Total off-balance sheet exposures	**2,465**	**766**	**111**	**848**	**68**

Specialised lending exposures subject to the slotting approach have been calculated in accordance with BS2B.

The supervisory categories of specialised lending above are associated with specific risk-weights. These categories broadly correspond to the following external credit assessments using Standard & Poor's rating scale, Strong: BBB- or better, Good: BB+ or BB, Satisfactory: BB- or B+ and Weak: B to C-.

Credit risk exposures subject to the standardised approach

Banking Group As at 31/03/2013 (Unaudited)	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
On-balance sheet exposures				
Corporates	**50**	**100**	**53**	**4**
Default	**-**	**150**	**1**	**-**
Total on-balance sheet exposures	**50**	**100**	**54**	**4**

	Exposure amount $m	Average credit conversion factor %	Exposure at default $m	Average risk weight %	Risk weighted exposure $m	Total capital requirement $m
Off-balance sheet exposures						
Undrawn commitments and other off balance sheet exposures	**520**	**47**	**246**	**88**	**230**	**18**
Market related contracts	**1,934**	**n/a**	**16**	**20**	**3**	**-**
Total off balance sheet	**2,454**	**n/a**	**262**	**84**	**233**	**18**

Credit exposures subject to the Standardised Approach have been calculated in accordance with BS2A.

Equity exposures

Banking Group As at 31/03/2013 (Unaudited)	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
All equity holdings not deducted from capital	**100**	**400**	**426**	**34**

Equity exposures have been calculated in accordance with BS2B.

Notes to the Financial Statements

Other exposures

Banking Group As at 31/03/2013 (Unaudited)	Exposure at default $m	Risk weight %	Risk weighted exposure $m	Total capital requirement $m
Cash	**218**	**-**	**-**	**-**
New Zealand dollar denominated claims on the Crown and the RBNZ	**1,999**	**-**	**-**	**-**
Other assets	**980**	**100**	**1,039**	**83**
Total other IRB credit risk exposures	**3,197**	**31**	**1,039**	**83**

Other exposures have been calculated in accordance with BS2B.

Credit risk mitigation

The Banking Group assesses the integrity and ability of counterparties to meet their contractual financial obligations for repayment. The Banking Group generally takes collateral security in the form of real property or a security interest in personal property, except for major government, bank and corporate counterparties of strong financial standing. Longer term consumer finance, in the form of housing loans, is generally secured against real estate while short term revolving consumer credit is generally unsecured.

As at 31 March 2013, under the IRB approach, the Banking Group had $1,628 million of Corporate exposures covered by guarantees where the presence of the guarantees was judged to reduce the underlying credit risk of the exposures. Information on the total value of exposures covered by financial guarantees and eligible financial collateral is not disclosed, as the effect of these guarantees and collateral on the underlying credit risk exposures is not considered to be material.

Operational risk

The Banking Group uses the Advanced Measurement Approach for determining its regulatory capital requirement for operational risk calculated in accordance with BS2B. As at 31 March 2013 the Banking Group had an implied risk weighted exposure of $5,553 million for operational risk and an operational risk capital requirement of $444 million.

Market risk

The aggregate market risk exposures below have been calculated in accordance with BS2B.

The peak end-of-day market risk exposures are for the half-year ended 31 March 2013.

Banking Group	Implied risk weighted exposure		Aggregate capital charge		Peak
31/03/2013 (Unaudited)	Period end $m	Peak $m	Period end $m	Peak $m	occurred on
Interest rate risk	**4,275**	**5,594**	**342**	**448**	**4/02/2013**
Foreign currency risk	**17**	**72**	**1**	**6**	**17/01/2013**
Equity risk	**3**	**3**	**-**	**-**	**31/10/2012**
	4,295		**343**		

Pillar II capital for other material risks

The Banking Group has an Internal Capital Adequacy Assessment Process ("ICAAP") which complies with the requirements of the Bank's Conditions of Registration.

Under the Banking Group's ICAAP it identifies and measures all "other material risks", which are those material risks that are not explicitly captured in the calculation of the Banking Group's tier one and total capital ratios. The other material risks identified by the Banking Group include business risk, pension risk, insurance risk, funds management risk, lapse risk, premises and equipment risk and capitalised origination fees risk.

The Banking Group's internal capital allocation for these other material risks is $405 million (31/03/2012 $325 million; 30/09/2012 $338 million).

The Banking Group regularly reviews the methodologies used to calculate the economic capital allocated to other material risks. Updated capital methodologies (particularly relating to fixed asset risk and business risk) were applied in November 2012 and the prior period restated accordingly.

Notes to the Financial Statements

Capital adequacy of the Ultimate Parent Bank

	Overseas Banking Group			Ultimate Parent Bank (Extended Licensed Entity)	
	31/03/2013	31/03/2012	30/09/2012	31/03/2012	30/09/2012
	Basel III	Basel II	Basel II	Basel II	Basel II
Common equity tier one capital	**8.2%**	n/a	n/a	n/a	n/a
Tier one capital	**9.8%**	11.3%	10.8%	11.3%	11.4%
Total capital	**11.7%**	12.6%	12.2%	12.9%	12.7%

For calculation of minimum capital requirements under Pillar 1 (Capital Requirements) of the Basel Accord, APRA has accredited the Overseas Banking Group to use the Advanced Internal Ratings Based ("AIRB") methodology for calculation of credit risk weighted assets and the Advanced Measurement Approach ("AMA") for the operational risk weighted asset equivalent.

Under prudential regulations, the Overseas Banking Group is required to maintain a Prudential Capital Ratio ("PCR") as determined by APRA. The Overseas Banking Group exceeded the PCR set by APRA as at 31 March 2013 and for the comparative prior periods.

The Overseas Banking Group is required to publicly disclose Pillar 3 financial information as at 31 March 2013. The Overseas Banking Group's Pillar 3 disclosure document for the quarter ended 31 March 2013, in accordance with APS 330: *Public Disclosure of Prudential Information*, discloses capital adequacy ratios and other prudential information. This document can be accessed at the website anz.com.

Residential mortgages by loan-to-valuation ratio ("LVR")

As required by the RBNZ, LVRs are calculated as the current exposure secured by a residential mortgage divided by the Banking Group's valuation of the security property at origination of the exposure. Off balance sheet exposures include undrawn and partially drawn residential mortgage loans as well as commitments to lend. Commitments to lend are formal offers for housing lending which may or may not be accepted by the customer.

Unaudited 31/03/2013 $ millions	On-balance sheet	Off-balance sheet	Total
LVR range			
0% - 59%	**16,816**	**3,335**	**20,151**
60% - 69%	**7,300**	**934**	**8,234**
70% - 79%	**10,882**	**1,187**	**12,069**
Less than 80%	**34,998**	**5,456**	**40,454**
80% - 89%	**6,409**	**914**	**7,323**
Over 90%	**3,918**	**420**	**4,338**
Total	**45,325**	**6,790**	**52,115**

Reconciliation of mortgage related amounts

$ millions	Note	Unaudited 31/03/2013
Term loans - housing	4	**47,445**
Plus: short-term housing loans classified as overdrafts		**488**
Less: housing loans made to corporate customers		**(2,654)**
Plus: Unsettled re-purchases of mortgages from the NZ Branch		**46**
On-balance sheet retail mortgage exposures subject to the IRB approach	10	**45,325**
Plus: off-balance sheet retail mortgage exposures subject to the IRB approach		**6,790**
Total retail mortgage exposures subject to the IRB approach (as per LVR analysis)	10	**52,115**

Notes to the Financial Statements

11. Financial risk management

Concentrations of credit risk

Concentrations of credit risk arise when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Analysis of financial assets by industry sector is based on Australian and New Zealand Standard Industrial Classification ("ANZSIC") codes.

Unaudited 31/03/2013 $ millions	**Liquid assets and due from other financial institutions**	**Trading securities and available-for-sale assets**	**Derivative financial instruments**	**Net loans and advances**	**Other financial assets**	**Credit related commitments[3]**	**Total**
Industry							
Agriculture	-	-	34	17,300	137	1,935	19,406
Forestry, fishing and mining	17	-	9	861	7	496	1,390
Business and property services	19	-	39	8,943	71	2,525	11,597
Construction	-	-	-	1,016	8	1,042	2,066
Entertainment, leisure and tourism	-	-	33	1,109	9	448	1,599
Finance and insurance	3,125	4,671	7,755	728	306	1,211	17,796
Government and local authority[1]	2,014	6,522	376	1,318	10	1,067	11,307
Manufacturing	43	-	75	2,902	23	2,410	5,453
Personal lending	-	-	-	49,048	388	10,364	59,800
Retail trade	85	5	28	1,680	13	1,231	3,042
Transport and storage	25	33	65	1,493	12	568	2,196
Wholesale trade	52	-	15	1,214	10	1,470	2,761
Other[2]	36	61	583	1,432	11	2,855	4,978
	5,416	11,292	9,012	89,044	1,005	27,622	143,391
Provision for credit impairment	-	-	-	(951)	-	-	(951)
Fair value hedge adjustment	-	-	-	(15)	-	-	(15)
Unearned finance income and deferred / capitalised fees	-	-	-	(196)	-	-	(196)
Total financial assets	5,416	11,292	9,012	87,882	1,005	27,622	142,229
Geography							
New Zealand	5,399	8,390	2,710	86,220	992	27,622	131,333
Overseas	17	2,902	6,302	1,662	13	-	10,896
Total financial assets	5,416	11,292	9,012	87,882	1,005	27,622	142,229

[1] Government and local authority includes exposures to government administration and defence, education and health and community services.
[2] Other includes exposures to electricity, gas and water, communications and personal services.
[3] Credit related commitments comprise undrawn facilities, customer contingent liabilities and letters of offer.

Notes to the Financial Statements

Interest rate sensitivity gap

The following tables represent the interest rate sensitivity of the Banking Group's assets, liabilities and off balance sheet instruments by showing the periods in which these instruments may reprice (that is, when interest rates applicable to each asset or liability can be changed).

Unaudited 31/03/2013 $ millions	Total	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Beyond 2 years	Not bearing interest
Assets							
Liquid assets	3,371	3,138	-	-	-	-	233
Due from other financial institutions	2,045	1,760	-	-	-	-	285
Trading securities	10,419	1,871	155	510	1,083	6,800	-
Derivative financial instruments	9,012	-	-	-	-	-	9,012
Available-for-sale assets	873	275	379	205	-	11	3
Net loans and advances	87,882	61,797	3,607	8,262	9,505	4,630	81
Other financial assets	1,005	133	8	18	2	-	844
Total financial assets	114,607	68,974	4,149	8,995	10,590	11,441	10,458
Liabilities							
Due to other financial institutions	1,795	1,293	-	-	-	122	380
Deposits and other borrowings	75,224	49,477	9,157	8,019	1,753	1,101	5,717
Due to Immediate Parent Company	709	709	-	-	-	-	-
Derivative financial instruments	10,173	-	-	-	-	-	10,173
Bonds and notes	16,611	4,714	2,392	46	1,235	8,224	-
Loan capital	1,178	835	343	-	-	-	-
Other financial liabilities	1,631	62	-	-	-	151	1,418
Total financial liabilities	107,321	57,090	11,892	8,065	2,988	9,598	17,688
Hedging instruments	-	(3,750)	1,859	4,191	(3,955)	1,655	-
Interest sensitivity gap	7,286	8,134	(5,884)	5,121	3,647	3,498	(7,230)

Liquidity portfolio

The Banking Group holds a diversified portfolio of cash and high quality liquid securities to support liquidity risk management. The size of the Banking Group's liquidity portfolio is based on the amount required to meet its liquidity policy and includes both items classified as cash and cash equivalents and those classified as operating assets in the Condensed Cash Flow Statement.

$ millions	Unaudited 31/03/2013
Balances with central banks	1,999
Certificates of deposit	160
Government, local body stock and bonds	5,939
Government treasury bills	836
Other bonds	4,628
Total liquidity portfolio	13,562

Notes to the Financial Statements

Funding Composition

The Banking Group actively uses balance sheet disciplines to prudently manage the funding mix. The Banking Group employs funding metrics to ensure that an appropriate proportion of its assets are funded from stable sources, including customer liabilities, longer-dated wholesale debt (with remaining term exceeding one year) and equity.

Analysis of funding liabilities by industry sector is based on ANZSIC codes.

$ millions	Unaudited 31/03/2013
Funding composition	
Customer deposits[1]	
New Zealand	**61,574**
Overseas	**7,690**
Total customer deposits	**69,264**
Wholesale funding	
Bonds and notes	**16,611**
Loan capital	**1,178**
Certificates of deposit	**1,624**
Commercial paper	**4,336**
Due to Immediate Parent Company	**709**
Due to other financial institutions	**1,795**
Total wholesale funding	**26,253**
Total funding	**95,517**
Concentrations of funding by industry	
Households	**44,166**
Agriculture	**2,488**
Forestry, fishing and mining	**553**
Manufacturing	**1,524**
Entertainment, leisure and tourism	**756**
Finance and insurance	**34,693**
Retail trade	**917**
Wholesale trade	**1,774**
Business and property services	**3,744**
Transport and storage	**755**
Construction	**885**
Government and local authority	**2,098**
Other[2]	**1,164**
Total funding	**95,517**
Concentrations of funding by geography[3]	
New Zealand	**67,725**
Australia	**1,458**
United States	**11,937**
Europe	**8,660**
Other countries	**5,737**
Total funding	**95,517**

[1] Represents term deposits, demand deposits bearing interest, deposits not bearing interest and secured debenture stock.
[2] Other includes exposures to electricity, gas and water, communications and personal services.
[3] Funding via ANZ New Zealand (Int'l) Limited is classified as either from the United States or Europe, as the company conducts overseas funding activities through its London branch which is passed through to the Bank.

Notes to the Financial Statements

Contractual maturity analysis of financial assets and liabilities

The following tables present the Banking Group's financial assets and liabilities within relevant contractual maturity groupings, based on the earliest date on which the the Banking Group may be required to realise an asset or settle a liability. The amounts disclosed in the tables represent undiscounted future principal and interest cash flows and may differ to the amounts reported on the balance sheet.

The contractual maturity analysis for off-balance sheet commitments and contingent liabilities has been prepared using the earliest date at which the Banking Group can be called upon to pay. The liquidity risk of credit related commitments and contingent liabilities may be less than the contract amount, and does not necessarily represent future cash requirements as many of these facilities are expected to be only partially used or to expire unused.

The Banking Group does not manage its liquidity risk on this basis.

Unaudited 31/03/2013 $ millions	Total	At call	Less than 3 months	3 to 12 months	1 to 5 years	Beyond 5 years	No maturity specified
Financial assets							
Liquid assets	**3,377**	**2,566**	**811**	**-**	**-**	**-**	**-**
Due from other financial institutions	**2,046**	**607**	**1,439**	**-**	**-**	**-**	**-**
Trading securities	**11,539**	**-**	**632**	**1,139**	**8,308**	**1,460**	**-**
Derivative financial assets (trading)	**8,159**	**-**	**8,159**	**-**	**-**	**-**	**-**
Available-for-sale assets	**889**	**-**	**283**	**557**	**46**	**-**	**3**
Net loans and advances	**118,224**	**-**	**16,482**	**15,413**	**37,630**	**48,699**	**-**
Other financial assets	**616**	**-**	**588**	**26**	**2**	**-**	**-**
Total financial assets	**144,850**	**3,173**	**28,394**	**17,135**	**45,986**	**50,159**	**3**
Financial liabilities							
Due to other financial institutions	**1,824**	**884**	**772**	**5**	**45**	**118**	**-**
Deposits and other borrowings	**76,553**	**33,677**	**21,565**	**18,055**	**3,256**	**-**	**-**
Due to Immediate Parent Company	**709**	**-**	**709**	**-**	**-**	**-**	**-**
Derivative financial liabilities (trading)	**9,462**	**-**	**9,462**	**-**	**-**	**-**	**-**
Bonds and notes	**17,590**	**-**	**126**	**4,318**	**12,478**	**668**	**-**
Loan capital	**1,842**	**-**	**24**	**71**	**474**	**95**	**1,178**
Other financial liabilities	**1,188**	**-**	**957**	**7**	**44**	**180**	**-**
Total financial liabilities	**109,168**	**34,561**	**33,615**	**22,456**	**16,297**	**1,061**	**1,178**
Net financial assets / (liabilities)	**35,682**	**(31,388)**	**(5,221)**	**(5,321)**	**29,689**	**49,098**	**(1,175)**
Derivative financial instruments used for balance sheet management							
- gross inflows	**16,139**	**-**	**1,646**	**5,413**	**8,778**	**302**	**-**
- gross outflows	**(15,760)**	**-**	**(1,547)**	**(5,376)**	**(8,534)**	**(303)**	**-**
Net financial assets / (liabilities) after balance sheet management	**36,061**	**(31,388)**	**(5,122)**	**(5,284)**	**29,933**	**49,097**	**(1,175)**

Contractual maturity of off-balance sheet commitments and contingent liabilities

Unaudited 31/03/2013 $ millions	Total	Less than 1 year	Beyond 1 year
Non-credit related commitments	**426**	**117**	**309**
Credit related commitments	**25,865**	**25,865**	**-**
Contingent liabilities	**1,757**	**1,757**	**-**
Total	**28,048**	**27,739**	**309**

Notes to the Financial Statements

12. Concentrations of Credit Risk to Individual Counterparties

The Banking Group measures its concentration of credit risk in respect to bank counterparties on the basis of approved exposures, and in respect to non bank counterparties on the basis of limits.

For the six months ended 31 March 2013 there were no individual counterparties (excluding connected parties, governments and banks with long term credit ratings of A- or above) where the Banking Group's period end or peak end-of-day credit exposure equalled or exceeded 10% of the Banking Group's equity (as at the end of the period).

13. Insurance business

The Banking Group conducts insurance business through companies in the OnePath Insurance Holdings (NZ) Limited group. The aggregate amount of insurance business in this group comprises assets totalling $602 million (31/03/2012: $525 million; 30/09/2012 $564 million), which is 0.5% (31/03/2012: 0.4%; 30/09/2012 0.5%) of the total consolidated assets of the Banking Group.

14. Credit Related Commitments, Guarantees and Contingent Liabilities

	Face or contract value		
	Unaudited	Unaudited	Audited
$ millions	**31/03/2013**	31/03/2012	30/09/2012
Credit related commitments			
Commitments with certain drawdown due within one year	**859**	904	742
Commitments to provide financial services	**25,006**	23,074	24,698
Total credit related commitments	**25,865**	23,978	25,440
Guarantees and contingent liabilities			
Financial guarantees	**650**	1,752	731
Standby letters of credit	**53**	55	44
Transaction related contingent items	**976**	829	913
Trade related contingent liabilities	**78**	96	117
Total guarantees and contingent liabilities	**1,757**	2,732	1,805

The Banking Group guarantees the performance of customers by issuing standby letters of credit and guarantees to third parties, including its Ultimate Parent Bank. To reflect the risk associated with these transactions, they are subjected to the same credit origination, portfolio management and collateral requirements as for customers that apply for loans. The contract amount represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

Other contingent liabilities

In October 2012 the Commerce Commission commenced an investigation, under the Fair Trading Act 1986, into the promotion and sale of interest rate swaps by certain banks (including the Bank) to rural customers. The investigation is at an early stage and the possible outcome of the investigation cannot be determined with any certainty.

On 11 March 2013, litigation funder Litigation Lending Services (NZ) announced plans for a representative action against banks in New Zealand for certain fees charged to New Zealand customers over the past six years. As at 13 May 2013, the Bank is not aware of any proceedings being issued against it or any other bank in New Zealand.

The Banking Group has other contingent liabilities in respect of actual and possible claims and court proceedings. An assessment of the Banking Group's likely loss in respect of these matters has been made on a case-by-case basis and provision made where deemed necessary.

Directors' Statement

As at the date on which this Disclosure Statement is signed, after due enquiry, each Director believes that:

(i) The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2013; and
(ii) The Disclosure Statement is not false or misleading.

Over the six months ended 31 March 2013, after due enquiry, each Director believes that:

(i) ANZ Bank New Zealand Limited has complied with all Conditions of Registration that applied during that period;
(ii) Credit exposures to connected persons were not contrary to the interests of the Banking Group;
(iii) ANZ Bank New Zealand Limited had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated, and has been signed by or on behalf of all Directors of the Bank on, 13 May 2013.

Antony Carter

Norman Geary, CBE

John Judge

also on behalf of Shayne Elliott, David Hisco and Michael Smith, OBE

Independent Auditor's Review Report

To the Shareholder of ANZ Bank New Zealand Limited

We have reviewed pages 3 to 24 of the interim financial statements of ANZ Bank New Zealand Limited (the 'Bank') and its subsidiary companies (the 'Banking Group') prepared and disclosed in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2013 (the 'Order') and the supplementary information prescribed in Schedules 3, 5, 7, 11, 13, 16 and 18 of the Order. The interim financial statements, and supplementary information, provide information about the past financial performance and cash flows of the Banking Group and its financial position as at 31 March 2013.

Directors' responsibility for the disclosure statement

The Directors of ANZ Bank New Zealand Limited are responsible for the preparation and presentation of the Disclosure Statement, which includes interim financial statements prepared in accordance with Clause 25 of the Order which give a true and fair view of the financial position of the Banking Group as at 31 March 2013 and its financial performance and cash flows for the six months ended on that date. The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of the Disclosure Statement that is free from material misstatement whether due to fraud or error.

They are also responsible for the preparation of supplementary information in the Disclosure Statement which fairly states the matters to which it relates in accordance with Schedules 3, 5, 7, 11, 13, 16 and 18 of the Order.

Reviewer's responsibility

We are responsible for reviewing the interim financial statements and the supplementary information, disclosed in accordance with Clause 25, Schedules 3, 5, 7, 11, 13, 16 and 18 of the Order and presented to us by the Directors.

We are responsible for reviewing the interim financial statements (excluding the supplementary information) in order to report to you whether, in our opinion on the basis of the procedures described below, anything has come to our attention that would cause us to believe that the interim financial statements have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34 ("NZ IAS 34"): Interim Financial Reporting and do not present a true and fair view of the financial position of the Banking Group as at 31 March 2013 and its financial performance and cash flows for the six months ended on that date.

We are responsible for reviewing the supplementary information (excluding the supplementary information relating to capital adequacy) in order to report to you whether, in our opinion on the basis of the procedures described below, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order.

We are responsible for reviewing the supplementary information relating to capital adequacy in order to state whether, on the basis of the procedures described below, anything has come to our attention that would cause us to believe that the information disclosed in accordance with Schedule 11 is not in all material respects prepared in accordance with the Bank's Conditions of Registration and with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand and disclosed in accordance with Schedule 11 of the Order.

We have performed our review in accordance with the review engagement standard RS-1 Statement of Review Engagement Standards issued by the External Reporting Board. A review is limited primarily to enquiries of Banking Group personnel and analytical review procedures applied to the financial data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

KPMG has also provided other audit related services to the Banking Group. In addition, certain partners and employees of our firm may also deal with the Banking Group on normal terms within the ordinary course of trading activities of the business of the Banking Group. These matters have not impaired our independence as auditors of the Banking Group. We have no other relationship with, or interest in, the Banking Group.

Review opinion

We have examined the interim financial statements including the supplementary information and based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

a. the interim financial statements (excluding the supplementary information) have not been prepared, in all material respects, in accordance with NZ IAS 34: Interim Financial Reporting and do not present a true and fair view of the financial position of the Banking Group as at 31 March 2013 and its financial performance and cash flows for the six months ended on that date;

b. the supplementary information prescribed by Schedules 5, 7, 13, 16 and 18 of the Order does not fairly state the matters to which it relates in accordance with those Schedules; and

c. the supplementary information relating to capital adequacy as required by Schedule 11 of the Order, is not in all material respects prepared in accordance with the Bank's Conditions of Registration and with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand, and disclosed in accordance with Schedule 11 of the Order.

Our review was completed on 13 May 2013 and our review opinion is expressed as at that date.

KPMG

Wellington